



# **Army Environmental Liability Recognition, Valuation, and Reporting**

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J. Russell Marshall  
Army Environmental Division  
Office of the Assistant Chief of Staff for  
Installation Management  
Department of the Army

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# Agenda

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- ☐ Why – Statutorily Required
- ☐ What – Environmental Liabilities Universe
- ☐ Where – Balance Sheet Note 14
- ☐ When – Quarterly Reporting
- ☐ Who – Many players w/Different Backgrounds
- ☐ Challenges



# Why – Statutorily Required

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- ❑ Chief Financial Officer's (CFO) Act of 1990
  - Required Federal Agencies to prepare auditable financial statements.
- ❑ The Government Performance and Results Act (GPRA) of 1993
  - Required agencies to report on plans and performance systematically.
- ❑ The Government Management Reform Act (GMRA) of 1994
  - Applied the CFO Act to all DoD components.



# Why – Statutorily Required (con't)

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- ❑ The Federal Financial Management Improvement Act (FFMIA) of 1996 and the Clinger-Cohen Act (CCA) of 1996
  - Agencies must install integrated IT systems capable of producing auditable financial statements.
- ❑ Not statute, but DoD published Environmental Liabilities Recognition, Valuation, and Reporting Requirements Document
  - July 2006



# Goal: Unqualified Audit Opinion on Financial Statements

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- ❑ Legislation requires DoD and Service components to:
  - Have auditable financial statements
    - Balance Sheet shows assets and liabilities
- ❑ DoD can not obtain a clean audit opinion without eliminating the Environmental Liabilities material weakness
  - Need auditable Balance Sheet (Note 14)
- ❑ Environmental Liability is the largest liability in the Army (DoD: \$66.2B; Army: \$37.4B)
  - Second largest in DoD behind Military Retirement and Other Federal Employment Benefits



# What Creates an Environmental Liability

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## Definition - DoD FMR 7000.14, Vol.4, Ch. 13:

- ☐ A probable and measurable future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events.



# What Creates an Environmental Liability

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- ❑ Accounting Standards use the terms “cleanup” and “hazardous waste” more broadly than the environmental community:
  - Environmental cleanup costs from the accounting perspective include:
    - Traditional CERCLA and RCRA Cleanup/Corrective Action (DERP and non-DERP)
    - Closures / Post-Closure per regulatory permits
    - Other future costs at disposal driven by federal, state, or local regulations
    - Asbestos (friable and non-friable) costs incurred at closure/disposal





# What Governs EL Reporting

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**A wide array of policy and guidance governs EL recognition, valuation, and reporting**

- ❑ Federal Accounting Standards Advisory Board (FASAB) Standards and Bulletins
- ❑ DoD's Financial Management Regulation (FMR)
- ❑ DoD's *Environmental Liabilities Recognition, Valuation, and Reporting Requirements* document
- ❑ Environmental Program Guidance within USD(AT&L)
  - DERP Management Guidance
  - Non-DERP EL Guidance
  - Interim Guidance Updates
- ❑ OUSD(C) EL Best Practices Guide
- ❑ Component-specific Guidance
  - Army Implementing Guidance



# What's Context of Environmental Liability

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- ❑ Environmental *cleanup* liability
  - DERP
  - Compliance-related Cleanup
- ❑ Environmental *closure* liability
  - Non-DERP closure
    - Real property
- ❑ Environmental *disposal* liability
  - Weapon systems
  - Military Equipment and other PP&E

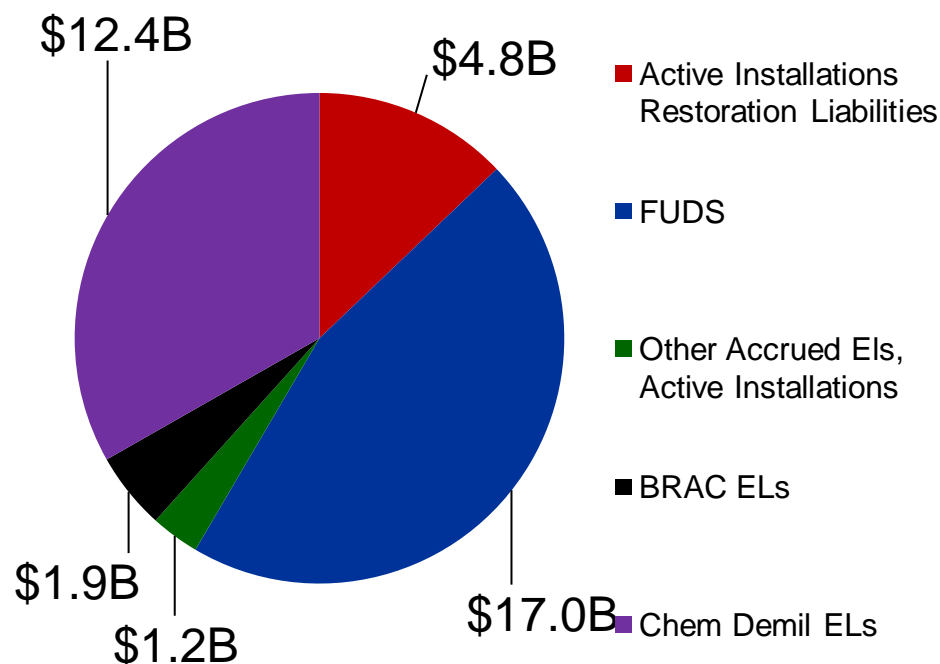


# What the Scope of Army's ELs Are

What are the EL Categories on Army's Note 14?

Army's FY09 ELs: \$37.4B

- ☐ Environmental Restoration (legacy waste)
  - Active installations
  - BRAC installations
  - FUDS properties
- ☐ Other Accrued EL at Active and BRAC installations
  - Corrective Action
  - Closure
  - Response at Operational Ranges
- ☐ Chemical Demilitarization
- ☐ Military and General Equipment (not yet reported)





# Environmental Liabilities Organizations

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**Depends on organizational hierarchy:**

- A. Federal Accounting Standards Board (FASB)
- B. Federal Accounting Standards Advisory Board (FASAB)
- C. 24 Federal Agencies Including DoD
- D. DoD Comptroller
- E. DUSD(I&E)
- F. ADUSD(I&E)/EM
- G. ASA(FM&C)
- H. ACSIM(ISE & OD) & Others (G-4, ASA(ALT), AMC etc.)
- I. USAEC, USACE, IMCOM
- J. Installations



# What the Army's EL Scope Entails

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- ❑ Cleanup: ~ 5,000 sites remaining
- ❑ Environmental closure: estimate ~90,980 owned buildings (environmental sites)
- ❑ Military and General Equipment disposal: unknown



# Where You Report Environmental Liabilities

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## Note 14 of the Balance Sheet

### ☐ Financial Statement

- Balance Sheet
  - Note 14
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources



# FY 2009 Annual Financial Statement

Department of Defense - Department of the Army

## CONSOLIDATED BALANCE SHEET

As of September 30, 2009 and 2008 (Amounts in thousands)

### ASSETS (Note 2)

#### Intragovernmental:

Fund Balance with Treasury (Note 3)	\$ 163,425,416	\$ 163,322,471
Investments (Note 4)	3,241	3,532
Accounts Receivable (Note 5)	530,847	499,668
Other Assets (Note 6)	1,401,723	430,932
<b>Total Intragovernmental Assets</b>	<b>\$ 165,361,227</b>	<b>\$ 164,256,603</b>

Cash and Other Monetary Assets (Note 7)	1,965,004	2,418,049
Accounts Receivable, Net (Note 5)	635,509	619,471
Loans Receivable (Note 8)	93	0
Inventory and Related Property, Net (Note 9)	34,497,598	40,134,982
General Property, Plant and Equipment, Net (Note 10)	128,946,696	111,908,995
Other Assets (Note 6)	7,439,337	6,495,961
<b>TOTAL ASSETS</b>	<b>\$ 338,845,464</b>	<b>\$ 325,834,061</b>

### LIABILITIES (Note 11)

#### Intragovernmental:

Accounts Payable (Note 12)	\$ 1,717,109	\$ 1,563,994
Debt (Note 13)	1,060	833
Other Liabilities (Note 15 & 16)	2,968,874	3,647,103
<b>Total Intragovernmental Liabilities</b>	<b>\$ 4,707,043</b>	<b>\$ 5,211,930</b>

Accounts Payable (Note 12)	14,116,803	13,022,675
Military Retirement and Other Federal Employment Benefits (Note 17)	1,325,170	1,472,383
Environmental and Disposal Liabilities (Note 14)	37,374,583	42,475,466
Loan Guarantee Liability (Note 8)	2,436	2,337
Other Liabilities (Note 15 and Note 16)	12,550,320	12,240,852
<b>TOTAL LIABILITIES</b>	<b>\$ 70,076,355</b>	<b>\$ 74,425,643</b>

### NET POSITION

Unexpended Appropriations - Other Funds	150,540,142	152,794,482
Cumulative Results of Operations - Earmarked Funds	57,671	52,946
Cumulative Results of Operations - Other Funds	118,171,296	98,580,990
<b>TOTAL NET POSITION</b>	<b>\$ 268,769,109</b>	<b>\$ 251,408,418</b>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 338,845,464</b>	<b>\$ 325,834,061</b>
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The accompanying notes are an integral part of these financial statements.



Fiscal Year 2009 United States Army Annual Financial Statement

The Noncommissioned Officer Corps:  
The Strength of America's Army

2009



# When You Report Environmental Liabilities

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## Quarterly:

- ❑ ASA(FM&C) issues quarterly call for information by about the end of the 2<sup>nd</sup> month of the quarter
- ❑ Information is due early in the month following close of the quarter
  - Timelines are tight for the end of September report so that OSD can consolidate and report for the Department





# Environmental Liabilities Universe

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## Note 14 Segmentation:

- A. Accrued Environmental Restoration Liabilities (Defense Environmental Restoration Program (DERP)) - Cleanup
  - 1. Active Installations – Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)
  - 2. Active Installations – Military Munitions Response Program (MMRP)
  - 3. Formerly Used Defense Sites (FUDS) – IRP and BD/DR
  - 4. Formerly Used Defense Sites – MMRP
- B. Other Accrued Environmental Liabilities – Non-BRAC
  - 1. Environmental Corrective Action
  - 2. Environmental Closure Requirements
  - 3. Environmental Response at Operational Ranges
  - 4. Asbestos
  - 5. Non-Military Equipment
  - 6. Other (for Army, Low Level Radioactive Waste Disposal)



# Environmental Liabilities Universe

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## Note 14 Segmentation (con't):

- C. Base Realignment and Closure Installations
  - 1. Installation Restoration Program
  - 2. Military Munitions Response Program
  - 3. Environmental Corrective Action/Closure Requirements
  - 4. Asbestos
  - 5. Non-Military Equipment
  - 6. Other
- D. Environmental Disposal for Military Equipment Weapons Programs
  - 1. Nuclear-Powered Military Equipment/Spent Nuclear Fuel
  - 2. Non-Nuclear Powered Military Equipment
  - 3. Other National Defense Weapons Systems
  - 4. Other
- E. Chemical Weapons Disposal Programs
  - 1. Chemical Demilitarization – Chemical Materials Agency (CMA)
  - 2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)
  - 3. Other



# Who are EL Functional Leads?

I&E Domain	Other Domains
<b>OACSIM</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Cleanup<ul style="list-style-type: none"><li>– Active sites</li><li>– BRAC</li><li>– Formerly Used Defense Sites</li><li>– Compliance-related Cleanup</li></ul></li><li><input type="checkbox"/> Closure<ul style="list-style-type: none"><li>– Hazardous Waste Management</li><li>– BD/BR (asbestos, lead paint, explosives contaminated buildings)</li><li>– Underground Storage Tanks</li><li>– Solid Waste Management</li><li>– Fixed Equipment containing hazardous waste</li><li>– Excess Facilities</li></ul></li></ul>	<b>ASA(ALT)</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Chemical Weapons Disposal</li><li><input type="checkbox"/> Military Equipment</li></ul> <b>AMC</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Low Level Radioactive Waste Disposal</li></ul> <b>G-4</b> <ul style="list-style-type: none"><li><input type="checkbox"/> General Equipment</li></ul> <b>USACE</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Dept of Energy FUSRAP (reported on Civil Works Fund financial statement)</li></ul>



U.S. ARMY

# Environmental Liabilities Integration Across Domains

Domains – Functional proponent	Systems
I&E <ul style="list-style-type: none"><li>– Real Property</li><li>– Environmental</li><li>– GIS</li></ul>	<input type="checkbox"/> IFS, HQIIS, PRIDE, RFMIS, REMIS GFEBs <input type="checkbox"/> AEDB (interim system), HQAES, FUDSMIS <input type="checkbox"/> MAPPER
Financial	General Fund Enterprise Business System (GFEBs)/Standard Operation Maintenance Army Research and Development System (SOMARDS)
Human Resources	Army Training Requirements and Resources System (ATRRS)
Acquisition and Logistics <ul style="list-style-type: none"><li>– CMA and ACWA</li><li>– Military Equipment</li><li>– LLRW</li></ul>	No IT System CAMS-ME No IT System
G-4 <ul style="list-style-type: none"><li>– General Equipment</li></ul>	



# ENVIRONMENTAL LIABILITIES

## Challenges

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- ❑ **Large Scope (Other accrued environmental liabilities)**
  - 100K + assets: buildings, structures, utilities
  - 25K+ tracts of land
  - General and Military Equipment – unknown number
- ❑ **Horizontal integration required**
  - Within OACSIM
  - Between OACSIM and other Army agencies/programs
- ❑ **Cross domain interdependencies**
  - I&E
  - Personnel
  - Financial
  - Logistics
- ❑ **Concurrent transformation**
  - Financial system
  - Environmental systems
  - Real Property systems



# Questions